



State of Michigan
Executive Office
Rick Snyder

Foundation for Michigan's Reinvention

Fiscal years – 2012 and 2013
February 17, 2011

Time for Reinvention

- Look to the future; Stop defending the past
- Our goals – jobs and kids
- Current system - broken
- Address a large legacy debt
- Time for a comprehensive long term solution

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Future State Obligations

Obligation	Total (in billion \$)	Per Capita (in \$)
State debt	23.7	2,370
State pension	3.1	310
State retiree medical	14.5	1,450
Certified tax credits	2.0	200
Unemployment loan	<u>3.7</u>	<u>370</u>
Total	\$47.0	\$4,700
Contingent liabilities		

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Guiding Principles

- #1 - Overall, no net increase in taxes
- #2 –Tax reform needed
- #3 – Longer term Value for Money budgeting is required
- #4 – Shared sacrifice model to reset for long term improvement

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#1 No net increase in taxes

- Taxpayers are too challenged today
- Cost of government is too high
- Responsibility to show value for money

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#2 Tax Reform Needed

- Need to create jobs
- Need to be simple, fair and efficient

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#3 Value for Money Budget

- Value for money
 - Dashboards and metrics regarding results
 - Real results for real people
- Longer term time horizon
- Pay as you go vs. spend your kids money

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#4 Shared Sacrifice Model

- Tax expenditures = Appropriations
 - Eliminate most tax expenditures and credits.
 - Honor credits given. Large future burden.
- Recognize the need for a safety net to help people get employed again

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Tax Reform

- Business – MBT vs. Corporate income tax
- Individual – make simple, fair, and efficient
- Medical provider – broader base, lower rate

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Business Tax Reform

- Eliminate the MBT (The Job Killer)
 - Double tax problem
 - Violated simple, fair, and efficient
 - Ranked 48th in country
- Replace with 6% Corporate Net Income Tax
 - Remove double tax on most businesses
 - Sales based
 - No special treatment
 - Small business rate
 - Honor past credits
 - Very competitive

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Individual Tax Reform

- Rate of 4.25%
- Treat all of us fairly – wipe out subsidies
- Few remaining adjustments –
 - Personal exemptions
 - Social security, active duty pay
 - Homestead property tax credit

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Insurance Provider Use Tax

- Current – HMO Medicaid insurance provider use tax of 6%
 - Helps pay for Medicaid programs
 - Federal concern about being too narrow
- Proposed – Insurance provider use tax of 1%
 - Revenue neutral impact
 - Would be simple, fair and efficient by broadening base, lowering rate

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Value for Money Budget

- Results vs. Line items
- Best practice oriented
- Longer term vs. One year
- Stop the “maxed out credit card” mentality to spending
- Pay as you go, plus payback and reserve
- Long term structurally sound

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Future Challenges

- Implementation of value of money
- Achieving pay as you go and pay down
- Local government and schools
- Other

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Overall Summary

- Address a broken system
- Tax system
 - Focus on job growth
 - Simple, fair, and efficient
- Budget
 - Structurally sound – balanced and paying back
 - Beginning a new real world model for success
- Move from backward to forward
- Time to Reinvent Michigan

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